

Message Text

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ORIGIN AF-10

INFO OCT-01 ISO-00 EB-08 L-03 AID-05 TRSE-00 CIAE-00
DODE-00 PM-05 H-01 INR-10 NSAE-00 PA-01 SP-02
SS-15 OMB-01 OPIC-03 NSCE-00 SSO-00 ICAE-00
INRE-00 (ISO) R

DRAFTED BY AF/E:KPGARLAND:JJ
APPROVED BY AF/E:GRBEYER
EB/IFD/OIA:DGRANT
L/AF:CCANNADY
L/EB:SGUDGEON
AF/EPS:WGALLAGHER
AID/AFR:HJOHNSON
TREASURY:HSHAPIRO

-----075013 221607Z /64

O 162200Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY ADDIS ABABA IMMEDIATE

C O N F I D E N T I A L STATE 208135

E.O. 11652: GDS

TAGS: EINV, EAID, ET

SUBJECT: AID, COMPENSATION, AND APPROACH TO MENGISTU
REF: A. ADDIS ABABA 3537; B. ADDIS ABABA 3538;
C. STATE 204031; D. STATE 205391

1. FOLLOWING ARE REVISED TALKING POINTS - TAKING INTO
CONSIDERATION YOUR SUGGESTIONS REF. A FOR CHANGES IN
POINTS CONTAINED REF. C - FOR YOUR USE IF MEETING WITH
MENGISTU OCCURS:

-- I AM PLEASED THAT PMGSE BY SIGNING THE UPPER DIDESSA
PROJECT HAS REAFFIRMED ITS DECISION TO WORK WITH USG ON
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DEVELOPMENT EFFORTS. USG IS IN PROCESS OF AUTHORIZING
NEGOTIATIONS ON AN ADDITIONAL \$1.2 MILLION IN SUPPORT OF
RURAL DEVELOPMENT ACTIVITIES IN GONDAR PROVINCE AND
MANPOWER TRAINING EFFORTS. I MUST NOTE, HOWEVER, THAT
UNLESS THERE IS SIGNIFICANT PROGRESS SOON ON THE EXPRO-
PRIATION ISSUE MY GOVERNMENT MAY NOT BE ABLE TO AUTHORIZE
ADDITIONAL DEVELOPMENT FUNDS.

-- BRIEF MENGISTU IN WHATEVER DETAIL YOU STILL FEEL IS APPROPRIATE ON KALSEC PROPOSAL.

-- INFORM PMGSE THAT WASHINGTON WOULD REGARD THE MUTUALLY SATISFACTORY RESOLUTION OF ANY MAJOR U.S. CLAIM, SUCH AS ACCEPTANCE OF THE KALSEC "WASH" PROPOSAL, SETTLEMENT OF THE STERLING DRUG CLAIM, ETC., OR OF A NUMBER OF SMALLER CLAIMS (SUCH AS AIRCRAFT CLAIMS) AS EVIDENCE OF THE SIGNIFICANT PROGRESS IN DEALING WITH PENDING EXPROPRIATION CLAIMS WHICH U.S. LAW REQUIRES. IN SUCH A CASE, U.S. WOULD NOT OPPOSE IFI LOANS TO ETHIOPIA, ON EXPROPRIATION GROUNDS, IN IMMEDIATE FUTURE, AND WOULD AWAIT PROGRESS ON OTHER CLAIMS.

-- USG ASKS THE CHAIRMAN TO COMMUNICATE TO ALL INTERESTED ELEMENTS OF HIS GOVERNMENT THE URGENCY IN MOVING IMMEDIATELY ON THE KALAMAZOO SPICE PROPOSAL OR ANY OTHER AMERICAN CLAIM. IN OUR VIEW, PMGSE SHOULD ARRANGE SETTLEMENT WITH INDIVIDUAL CLAIMANTS OR THEIR REPS BUT CONTACTS SHOULD BEGIN AS SOON AS POSSIBLE, EVEN BEFORE END OF THE MONTH. FURTHERMORE, WE EXPECT CONTINUED PROGRESS AS TIME PROGRESSES TOWARD RESOLUTION OF ALL VALID U.S. CLAIMS.

-- YOU SHOULD REMIND CHAIRMAN MENGISTU THAT, IN ABSENCE OF CONFIDENTIAL

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ANY DEMONSTRATED SIGNIFICANT PROGRESS TOWARD MUTUALLY ACCEPTABLE RESOLUTION OF U.S. CLAIMS IN LIGHT OF FLN TREATY AND STANDARDS OF INTERNATIONAL LAW, , USG IN ACCORDANCE WITH U.S. LAW WILL HAVE TO OPPOSE FURTHER ETHIOPIAN LOANS FROM THE IFI'S. THIS IS CONSISTENT WITH APRIL 4 STATEMENT BY AMERICAN EXECUTIVE DIRECTOR AT TIME OF IDA GRAIN STORAGE LOAN FOR ETHIOPIA. SUCH A RESULT ALSO HAS IMPLICATIONS UNDER APPLICABLE U.S. LEGISLATION FOR U.S. AID AND PREFERENTIAL TARIFF TREATMENT FOR U.S. IMPORTS FROM ETHIOPIA (AMBASSADOR MAY WISH TO FURNISH MENGISTU WITH COPIES OF PERTINENT LAWS).

-- WE ARE PLEASED AT THE RECENT IMPROVEMENTS IN OUR BILATERAL RELATIONS. THE USG SINCERELY HOPES THAT ETHIOPIA AND THE CLAIMANTS CAN RESOLVE THE COMPENSATION ISSUE SO THAT IT CAN NO LONGER POSE A THREAT TO THIS RECENT TREND OF IMPROVEMENT IN OUR RELATIONS.

2. AID/W HAS NO FUNDS REMAINING FOR AGRICULTURAL SECTOR DEVELOPMENT PROJECT THIS YEAR. WE AGREE THAT EMBASSY SHOULD INFORM PMGSE OF THIS SOON SO AS TO AVOID ANY FALSE EXPECTATIONS. NOT SURE IF AMBASSADOR CARES TO

DELIVER THIS INFORMATION TO MENGISTU PERSONALLY AT PROPOSED MEETING. IF YOU DO YOU MAY DRAW ON FOLLOWING ADDITIONAL TALKING POINT:

-- AS EMBASSY HAS REPEATEDLY POINTED OUT TO OFFICIALS OF YOUR GOVERNMENT, ORDERLY DECISIONSON USE OF AID FUNDS HAVE TO BE MADE WELL BEFORE END OF U.S. FISCAL YEAR ON SEPTEMBER 30. CONSIDERATION OF IMPORTANT \$10 MILLION PROJECT FOR AGRICULTURAL DEVELOPMENT WAS NATURALLY DELAYED BY INDECISION SURROUNDING UPPER DIDESSA PROJECT. WITH BUT SIX WEEKS REMAINING IN FISCAL YEAR AID IN WASHINGTON HAS REACHED THE POINT WHERE FOR ORDERLY MANAGEMENT OF RESOURCES IT MUST ALLOCATE ITS REMAINING FUNDS TO THOSE PROJECTS THROUGHOUT AFRICA AND THE WORLD
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FOR WHICH ALL FORMALITIES HAVE BEEN COMPLETED AND ARE READY FOR FINAL AGREEMENT AND IMPLEMENTATION. WHILE WE REGRET THAT FUNDING WILL THUS NOT BE AVAILABLE FOR THE MINIMUM PACKAGE-II PROGRAM THIS FISCAL YEAR, WE PLAN THAT IN THE NEW YEAR COMMENCING OCTOBER I SUFFICIENT FUNDS (PERHAPS \$6 - \$10 MILLION) WILL BE MADE AVAILABLE ALLOWING COMMENCEMENT OF PROJECT ACTIVITIES ALWAYS ASSUMING OF COURSE THAT OUTSTANDING ISSUES HAVE BEEN RESOLVED.

3. FYI: YOU SHOULD NOT ASSIGN ANY MONEY VALUE TO STERLING DRUG OR ANY OTHER CLAIMS IN CONVERSATION WITH MENGISTU OR ANYONE ELSE IN PMGSE. WE ARE MAKING ANOTHER ATTEMPT TO CONTACT ALL CLAIMANTS TO ASCERTAIN STATUS OF THEIR CLAIM, AS THEY SEE IT, AND BASIC BACKGROUND INFORMATION. AT SAME TIME, WE PLAN TO NOTIFY ONCE AGAIN THOSE WHO HAVE NOT FILED A CLAIM WITH ETHIOPIAN COMPENSATION COMMISSION TO DO SO. HOWEVER, WE INTEND TO GUARD AGAINST UNDUE OPTIMISM IN CORRESPONDENCE WITH CLAIMANTS AS OUR CREDIBILITY HAS WORN THIN OVER 3 1/2 YEARS. THEREFORE, WE ARE NOT ASKING IF ANY WOULD BE PREPARED TO SEND REPS TO ADDIS ABABA ON SHORT NOTICE. ON THE BASIS OF THESE CONTACTS, HOWEVER, WE COULD ARRANGE SPEEDY RESPONSE IF PMGSE EXPRESSES WILLINGNESS TO MEET WITH CLAIMANTS OR THEIR REPS.

4. DEPT. NOTES IN REF. A THAT COMPENSATION COMMISSION WILL DEAL WITH A REPRESENTATIVE OF ANY NATIONALITY, DULY AUTHORIZED BY THE CLAIMANT. DOES THAT MEAN SMALL CLAIMANTS COULD POOL RESOURCES AND SEND ONE REP FOR ALL?

5. IF MEETING WITH MENGISTU FAILS TO TAKE PLACE OR IS
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UNPRODUCTIVE, DEPT. WILL CONSIDER FURTHER YOUR SUGGESTION OF A CARTER TO MENGISTU LETTER.

CHRISTOPHER

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